

combined 23 oct 2026

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Page 1

1 23 October 2026 23 October 2026

No relief in sight for the EUR

FX View: The EUR has continued to weaken over the past week, falling to fresh year-to-date lows against both GBP and JPY. Rising energy prices and fiscal risks in France have reinforced EUR weakness ahead of the ECB's upcoming policy meeting, making it more difficult for the ECB to calibrate monetary policy. Tighter financial conditions are likely to reduce the extent to which the ECB needs to raise rates in response to higher energy prices. In contrast, upcoming policy updates from the Fed and BoJ could strike a relatively more hawkish tone while leaving rates on hold, signalling that more work remains to address upside inflation risks. Investors have become more risk-averse this week, boosting safe-haven demand for the CHF and JPY. The JPY's negative correlation with global equity market performance has strengthened. We expect challenging financial market conditions to persist in the week ahead reflecting ongoing concerns over higher government bond yields, energy prices and the recent paring back of AI-related investment optimism.

Trade Ideas: We are maintaining a short EUR/JPY trade idea.

IMM FX Positioning: The largest weekly changes in leveraged fund positioning were: (i) an increase in short CAD positions of 8,487 contracts; (ii) an increase in short EUR positions of 23,740 contracts; (iii) an increase in short JPY positions of 8,630 contracts; (iv) a decrease in long CAD positions of 11,363 contracts; and (v) an increase in short NZD positions of 10,832 contracts. It was the largest short EUR position since October 2021.

What happens to the dollar after US tech credit cracks? US IG tech-credit stress and falling Treasury yields point to greater USD downside risk, with EUR and CHF supported.

ANOTHER BAD WEEK FOR THE EUR

Source: Bloomberg, as of 23rd October 2026 14.40 BST (Weekly % Change vs. USD)

FX Weekly

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2 23 October 2026 G4 FX: EUR weakens further ahead of next week's ECB policy meeting

The EUR has continued to underperform over the past week, falling to fresh year-to-date lows against both GBP and JPY. EUR/GBP has fallen below the 0.8400 level for the first time since May last year, while EUR/JPY has moved within touching distance of the 175.00 level for the first time in just over a year. The two main drivers behind the weaker EUR have been the worsening energy price shock and intensifying concerns over fiscal and political risks in France. Natural gas prices in Europe have climbed above EUR90/MWh this week, supported by media reports that the US and Israel are considering further military strikes on Iran following the US mid-term elections in early November. At the same time, escalating fighting involving the Houthi rebels and the Saudi and Yemeni governments has raised the risk of a broader regional crisis that could further disrupt energy supplies. These developments have increased the likelihood that energy prices remain elevated for longer. A larger and more prolonged energy price shock would add to downside risks for the euro area economy and the EUR, further undermining investor confidence in the region's growth outlook.

Higher energy prices are also making the ECB's policy decisions more challenging. Oil and natural gas prices are currently trading between the ECB staff's adverse and severe economic scenarios, which are projected to push headline inflation above 4%, increasing pressure on the ECB to tighten policy. At the same time, the recent unwanted tightening in financial conditions, driven by a loss of confidence in French government bonds, is likely to make the ECB more cautious about the risk of overtightening policy. President Lagarde recently noted that higher government bond yields are tightening financial conditions and are likely to weigh more heavily on growth and inflation than the ECB anticipated at its September policy meeting.

The risk of slower growth ahead was highlighted by the latest euro area PMI surveys for October. The euro area composite PMI fell for the first time since May, declining to 51.9, driven primarily by weakness in France, where the composite PMI dropped more sharply to 48.4. This raises fresh doubts about the resilience of the euro area economy. These developments prompted us to withdraw our call for another ECB rate hike at next week's policy meeting. Market participants will be listening closely to President Lagarde's press conference for clues on how the ECB may respond ([click here](#)) to the intensifying sell-off in the French government bond market. The EUR could weaken further if the ECB signals that higher bond yields are reducing the need for additional policy tightening and/or indicates that some form of market intervention may be required. Nevertheless, we still expect the ECB to deliver further modest policy tightening, including one additional rate hike before year-end in December.

HIGHER ENERGY PRICES & FISCAL RISK WEIGH ON EUR EUR/GBP VS. RELATIVE ECONOMIC SURPRISES

Source: Bloomberg, Macrobond & MUFG Source: Bloomberg, Macrobond & MUFG GMR EUR continues to underperform hitting fresh lows against GBP & JPY

ECB facing higher energy prices & government bond yields adding to challenge in setting policy

EUR to weaken further if ECB indicates higher bond yields will curtail need for further hikes and/or may require market intervention

Page 3

3 23 October 2026 Recent developments in France have helped divert some market attention away from the state of the UK's public finances ahead of next week's Budget. It will be the first Budget delivered under Prime Minister Andy Burnham, whose appointment initially generated some concern over a potential shift towards looser fiscal policy. However, the sharp rise in government borrowing costs has created a more challenging backdrop, even as UK growth has continued to surprise to the upside this year. Against this backdrop, the Prime Minister and Chancellor appear determined to make the Budget a low-key event ([click here](#)). We expect the Budget to include a package of targeted fiscal support measures alongside modest revenue-raising initiatives, rather than signalling a significant shift in policy direction. Higher borrowing costs are estimated to have reduced the government's fiscal headroom by around GBP11 billion, and media reports suggest that the government does not intend to replenish that headroom, which is expected to fall to around GBP14 billion. A decision to operate with reduced fiscal headroom is unlikely, on its own, to trigger a gilt market sell-off that would spill over into a weaker GBP, although it remains a downside risk. Barring a negative Budget surprise, we expect GBP to strengthen further in the near term, supported by the UK's stronger cyclical momentum. Stronger labour market and inflation data released this week have reinforced our view that the BoE will begin raising rates next month.

The JPY has also strengthened against the EUR over the past week, supported by a more risk-off trading environment. The modest correction in global equity markets and the decline in bond yields outside Japan, with France being a notable exception, have provided support for the JPY even as energy prices have continued to rise. The yen is also benefiting from the hawkish repricing of BoJ rate expectations. While the BoJ is widely expected to leave rates unchanged next week following last month's hike, it is likely to reiterate its commitment to a faster pace of policy normalisation in light of current inflation trends and the limited negative impact on Japan's economy. According to Bloomberg, BoJ officials view the underlying inflation trend as broadly consistent with their 2.0% target, while also judging that the policy rate remains some distance below neutral. A reaffirmation of the BoJ's tightening bias next week should provide support for the JPY, especially if global risk sentiment remains fragile.

Bloomberg highlighted earlier this week growing evidence that higher interest rates in Japan are helping to boost domestic demand for JGBs. Japanese investors' purchases of domestic government bonds during the first half of the current fiscal year rose to their highest level since 2009. According to the Japan Securities Dealers Association, net purchases totalled JPY18.8 trillion in the six months to 30 September. Trust banks accounted for almost half of total purchases, while banks contributed roughly one-third. If domestic demand for Japanese assets continues to strengthen, it could help reduce downward pressure on the JPY even without a significant repatriation.

STRONGER CORRELATION BETWEEN JPY & EQUITIES NET JGB PURCHASES IN 1H OF FISCAL YEARS

Source: Bloomberg, Macrobond & MUFG GMR Source: Bloomberg GBP has benefitted from concerns over fiscal risks shifting to France and stronger UK growth. Next week's Budget is expected to take a safety-first approach helping to dampen downside risks for the GBP.

Negative correlation between JPY and global equities strengthens ahead of BoJ meeting

Higher yields in Japan demand helping to boost domestic demand for JGBs, and ease JPY selling pressures

Page 4

4 23 October 2026

Weekly Calendar

Ccy Date BST Indicator/Event Period Consensus Previous Mkt Moving EUR 26/10/2026 09:00
Germany IFO Business Climate Oct -- 89.9 !!

EUR 27/10/2026 09:00 ECB Bank Lending Survey !! EUR 27/10/2026 09:00 M3 Money Supply YoY
Sep -- 3.5% !! USD 27/10/2026 12:30 Durable Goods Orders Sep P 1.4% -0.1% !! USD 27/10/2026
14:00 Conf. Board Consumer Confidence Oct 80.3 81.9 !! USD 27/10/2026 14:00 New Home Sales
Sep 652k 684k !!

AUD 28/10/2026 00:30 CPI YoY Sep -- 4.0% !!! NZD 28/10/2026 01:00 RBNZ Official Cash Rate 3.00%
2.75% !!! NOK 28/10/2026 07:00 Retail Sales W/Auto Fuel MoM Sep -- 0.6% !! USD 28/10/2026 12:30
Advance Goods Trade Balance Sep -\$125.0b -\$132.6b !! GBP 28/10/2026 12:30 UK Budget !!! CAD
28/10/2026 13:45 Bank of Canada Rate Decision 2.50% 2.25% !!! USD 28/10/2026 18:00 FOMC Rate
Decision (Upper Bound) 4.00% 4.00% !!!

SEK 29/10/2026 07:00 Retail Sales MoM Sep -- 0.8% !! USD 29/10/2026 12:30 Initial Jobless Claims --
-- !! USD 29/10/2026 12:30 Core PCE Price Index MoM Sep 0.3% 0.2% !!! USD 29/10/2026 12:30
GDP Annualized QoQ 3Q A 3.0% 2.2% !!! EUR 29/10/2026 13:15 ECB Deposit Facility Rate 2.50%
2.50% !!! EUR 29/10/2026 13:45 ECB Holds Press Conference !!! JPY 29/10/2026 23:30 Tokyo CPI
YoY Oct 2.7% 2.7% !! JPY 29/10/2026 23:50 Industrial Production MoM Sep P 1.3% -2.4% !!

JPY 30/10/2026 Tbc BOJ Target Rate 1.3% 1.3% !!! EUR 30/10/2026 06:30 France GDP QoQ 3Q P --
0.0% !! EUR 30/10/2026 07:45 France CPI YoY Oct P -- 3.1% !! CHF 30/10/2026 08:00 KOF Leading
Indicator Oct -- 109.1 !! EUR 30/10/2026 08:55 Germany Unemployment Change (000's) Oct -- 12.0k !!
EUR 30/10/2026 10:00 GDP SA QoQ 3Q A -- 0.6% !!! CAD 30/10/2026 12:30 GDP MoM Aug -- 0.0% !!
USD 30/10/2026 12:30 Employment Cost Index 3Q 0.8% 0.9% !!! EUR 30/10/2026 13:00 Germany CPI
YoY Oct P -- 3.3% !!!

Source: Bloomberg, Macrobond & MUFG GMR

Key Events:

- The 3 major central banks of the BoJ, ECB and Fed are all expected leave rates on hold in the week ahead. We attach a higher risk of hawkish policy surprise from the Fed. Stronger US inflation data for September means that a back-to-back hike from the Fed can't be completely ruled out although Fed officials have indicated that they are not in a rush to hike again. Even if rates remain on hold we expect the Fed to indicate that more work is needed to bring inflation back towards target in a timely manner.
- The ECB's upcoming policy meeting will attract even more attention than normal in light of the ongoing sell-off in the French government bond market. The yield spread between 10-year French and German government bonds continue to widen out sharply moving closer to the peak during the worst phase of the euro-zone debt crisis. We expect higher bond yields to encourage the ECB to leave rates on hold in the week ahead even though upside risks to inflation from higher energy prices have increased. Market participants will be listening closely to assess how the ECB is likely to react to increasingly challenging financial market conditions.
- The BoJ is expected to leave rates on hold after hiking last month. We expect the BoJ to reiterate that

policy has entered a new phase consistent with a faster quarterly pace of rate hikes. We expect the next hike to be delivered in December. The Nikkei has also reported that the BoJ is likely to signal that inflation has effectively reached its 2% target. The BoJ is now more concerned by the risk of inflation overshooting their target.

- Market expectations have moved decisively in favour of the BoC hiking rates in the week ahead. We expect the BoC to take the opportunity to hike rates in response to building concerns over upside inflation risks.
- The UK government is expected to play it safe when they unveil their latest Budget prioritizing fiscal credibility.

Page 5

5 23 October 2026

Open Trade Ideas

SHORT EUR/JPY –OPENED @ 177.00 (TARGET @ 171.00 & STOP-LOSS @ 181.00)

We are maintaining our short EUR/JPY trade recommendation. The EUR has fallen to fresh year-to-date lows over the past week, driven by rising energy prices and a further loss of confidence in French government debt. With no clear catalyst to improve investor sentiment towards French sovereign debt and no imminent resolution to the US-Iran conflict, which appears increasingly unlikely ahead of the US mid-term elections, we believe risks remain tilted to the downside for the EUR. The EUR could weaken further next week if the ECB signals that higher bond yields may reduce the need for additional rate hikes and/or increase the likelihood of market intervention. In contrast, the JPY is benefiting from the more risk-off trading environment in the near term. We also expect the BoJ to deliver a relatively hawkish policy update next week, signalling that its faster pace of policy normalisation will continue, helping to support further JPY strength. Heightened fiscal & political risks in euro area to remain heavy weight on EUR/JPY

Page 6

6 23 October 2026

FX Portfolio

Trade idea	Notional	Entry Date	Entry	Level	Current	S/L	Target	Spot	P&L	Carry	P&L	Portfolio Contribution
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Closed Trades

Long EUR/USD	USD 5mn	10/05/2024	1.0770	1.0840	1.0570	1.1070	32,498	-3,484	29,014			
Long MXN/ZAR	USD 5mn	07/06/2024	1.0300	1.0050	1.0050	1.0850	-121,359	1,812	-119,547			
Short EUR/JPY	USD 5mn	14/06/2024	168.00	171.10	171.10	162.50	-92,262	-2,194	-94,456			
Long AUD/USD	USD 5mn	05/07/2024	0.6735	0.6585	0.6585	0.7035	-111,359	-1,544	-112,903			
Long GBP/SEK	USD 5mn	12/07/2024	13.660	13.920	13.360	14.160	95,168	2,149	97,317			
Short NZD/CHF	USD 5mn	02/08/2024	0.5170	0.5000	0.5270	0.5000	164,410	-215	164,195			

Short NZD/CAD USD 5mn 09/08/2024 0.8270 0.8430 0.8430 0.8030 -96,735 -1,578 -98,313

Short USD/JPY USD 5mn 06/09/2024 143.30 142.80 146.30 138.30 17,446 -7,717 9,729

Long AUD/USD USD 5mn 27/09/2024 0.6890 0.6810 0.6740 0.7100 -58,055 589 -57,466

Long USD/NOK USD 5mn 11/10/2024 10.720 11.020 10.500 11.020 139,925 530 140,455

Long EUR/USD USD 5mn 08/11/2024 1.0760 1.0570 1.0700 1.0100 88,290 3,857 92,147

Long USD/CAD USD 5mn 06/12/2024 1.4090 1.4390 1.3850 1.4550 106,458 1,471 107,194

Long GBP/USD USD 5mn 10/01/2025 1.2250 1.2550 1.2550 1.1750 -122,449 -885 -123,334

Short EUR/JPY USD 5mn 07/02/2025 157.60 161.89 163.00 150.00 -171,320 -9,487 -180,807

Long USD/SEK USD 5mn 14/03/2025 10.120 9.9200 9.9200 10.420 -98,814 5,245 -93,569

Long USD/CAD USD 5mn 28/03/2025 1.4300 1.4050 1.4050 1.4750 -87,413 1425 -85,988

Long EUR/NZD USD 5mn 25/04/2025 1.9040 1.9035 1.8700 1.9600 -1,314 -3,305 -4,619

Short USD/JPY USD 5mn 16/05/2025 145.95 144.00 149.40 138.30 66,804 9,179 57,625

Long USD/ZAR USD 5mn 13/06/2025 17.910 18.020 17.650 18.350 30,709 -1,963 28,746

Short USD/NOK USD 5mn 27/06/2025 10.070 10.060 10.270 9.6000 4,965 104 5,070

Long EUR/GBP USD 5mn 04/07/2025 0.8625 0.8674 0.8475 0.8850 27,978 -4,894 22,084

Long USD/JPY USD 5mn 18/07/2025 148.30 147.70 145.70 153.30 -19,335 11,240 -8,095

Long NOK/CHF USD 5mn 08/08/2025 7.8727 7.9760 7.7520 8.1151 65,607 12,022 77,629

Short USD/JPY USD 5mn 15/08/2025 147.00 147.80 149.50 143.50 -27,211 -13,990 -41,201

Long NZD/SEK USD 5mn 12/09/2025 5.5557 5.4449 5.4168 5.6945 -99,717 1,511 -98,206

Short USD/JPY USD 5mn 07/11/2025 153.40 156.00 156.00 148.50 -84,746 -4,292 -89,038

Long EUR/GBP USD 5mn 19/09/2025 0.8710 0.8730 0.8550 0.8900 11,481 -15,091 -3,610

Short CAD/CHF USD 5mn 03/10/2025 0.5705 0.5765 0.5825 0.5525 -53,041 -16,310 -69,351

Long AUD/GBP USD 5mn 12/12/2025 0.4980 0.5200 0.4980 0.5280 220,884 -1,297 219,587

Long EUR/JPY USD 5mn 12/01/2026 184.50 181.50 181.50 190.00 -81,301 4,384 -76,917

Short EUR/USD USD 5mn 09/03/2026 1.1570 1.1750 1.1750 1.1300 -105,877 5,936 -99,942

Long AUD/SEK USD 5mn 11/05/2026 6.6850 6.6640 6.5700 6.8950 -15,609 7,665 -7,944

Short GBP/CHF USD 5mn 30/03/2026 1.0600 1.0670 1.0800 1.0200 -32,994 -21,659 -54,603

Long USD/NOK USD 5mn 19/06/2026 9.6900 9.8500 9.5000 10.100 82,559 -728 81,832

Long EUR/GBP USD 5mn 17/07/2026 0.8500 0.8575 0.8395 0.8700 44,118 -3,053 41,065

Short USD/BRL USD 5mn 10/07/2026 5.1150 5.1900 5.2600 4.9600 -73,314 61,095 -12,219

Long AUD/JPY USD 5mn 07/08/2026 111.20 114.50 109.20 114.50 148,381 6,286 154,667

Short EUR/JPY USD 5mn 04/09/2026 181.30 180.90 184.30 186.30 11,031 -1,818 9,214

Short USD/SEK USD 5mn 18/09/2026 9.8500 9.9100 9.6000 10.300 26,668 6,301 32,969

Open Trades

Short EUR/JPY USD 5mn 02/10/2026 177.00 175.15 181.00 171.00 52,260 -2,883 49,377 Source: MUFG GMR; Changes in stops/targets in bold italics. (1) Current levels reflect intraday pricing. (2) The portfolio represents hypothetical, not actual, investments. Furthermore, we do not actively manage these hypothetical positions on a daily basis and changes tend to be made only through this publication on a weekly basis. To reflect the level of conviction of our trades we run trades in two different amounts: High conviction trades = USD 10mn & Basic conviction trades = USD 5mn

Page 7

7 23 October 2026

FX Positioning

The Commodity Futures Trading Commission (CFTC) publish weekly reports revealing positioning for the following currencies: AUD, BRL, CAD, CHF, EUR, GBP, JPY, MXN, NZD, RUB, USD (implied) and ZAR. We have applied z-scores to the positioning data to provide a signal of how stretched current positions are compared to averages over the last two years.

BREAKDOWN BY INVESTORS

EUR SHORTS AT MULTI-YEAR HIGHS SCALING BACK MXN LONGS

Source: Bloomberg, CFTC, Macrobond & MUFG GMR (as of 13th October 2026)

Key Takeaways:

- The latest IMM positioning data for the week ending 12th October showed that leveraged funds sharply increased long USD positions to the highest levels since the middle of August. It was the fourth consecutive week that leveraged funds have increased long USD positions. The biggest long USD positions are held against the CAD, EUR and JPY. In contrast, leveraged funds continue to hold short USD positions against the AUD, BRL, and MXN where there is more yield pick-up.
 - The largest weekly changes in leveraged fund positioning were: (i) an increase in short CAD positions of 8,487 contracts; (ii) an increase in short EUR positions of 23,740 contracts; (iii) an increase in short JPY positions of 8,630 contracts; (iv) a decrease in long CAD positions of 11,363 contracts; and v) an increase in short NZD positions of 10,832 contracts. It was the largest short EUR position since October 2021.
 - Our positioning z-score analysis indicates that long BRL and short EUR positions were the most stretched relative to their respective two-year ranges.
- | | No. of contracts | Z-Score | No. of contracts | Z-Score |
|-----|------------------|---------|------------------|-------------|
| AUD | -115,920 | -2.60 | AUD | 50,591 1.16 |
| AUD | -65,329 | -0.82 | BRL | 55,214 0.26 |
| BRL | 27,614 2.50 | BRL | 82,828 0.94 | |
| CAD | -30,804 0.57 | CAD | -88,112 -1.38 | |
| CAD | -118,916 0.08 | CHF | -31,456 0.76 | |
| CHF | -14,941 -1.43 | CHF | -46,397 1.84 | |
| EUR | 199,918 -1.13 | EUR | -68,001 -2.15 | |
| EUR | 131,917 -1.48 | GBP | -145,735 -1.74 | |
| GBP | 10,313 -1.67 | GBP | -135,422 -1.91 | |
| JPY | 65,819 0.63 | JPY | -33,673 0.13 | |
| JPY | 32,146 0.48 | MXN | -22,371 -2.34 | |
| MXN | 63,564 1.06 | MXN | 41,193 -0.55 | |
| NZD | -44,139 -0.80 | NZD | -11,619 -0.17 | |
| NZD | -55,758 -0.75 | USD | 51,897 -0.39 | |
| USD | 59,716 -1.92 | USD | 111,613 -0.88 | |

Page 8

8 23 October 2026

What happens to the dollar after US tech credit cracks?

Concerns around the scale, financing and prospective returns of AI investment have increasingly become visible in credit markets. For FX, the question is whether this remains conventional risk aversion, which can support USD through safe-haven demand, or begins to resemble a repricing of US assets themselves. This week, we examine how the FX performs when US tech credit comes under pressure and how performance differs by rates regime and contagion across credit.

METHODOLOGY

We define an IG Technology Widening Regime when the 20-trading-day change in US investment-grade technology option-adjusted spreads (OAS) exceeds the 85th percentile of its historical distribution since January 2022. The spread change is calculated as:

$$9Mf]Ä-f]ÄMf]Äb f]Ä \tilde{\#} \quad \text{Ö} f]Ä-f]ÄMf]Äb f]Ä !" f]Ä-f]ÄMf]Äb f]Ä !##$$

We then calculate its historical percentile rank:

$$\text{Ö}5\text{ÜC}\text{Ö}5\text{Üa} = \text{Ö}5\text{Ü}9 \text{ } 9Mf]Ä-f]ÄMf]Äb f]" \text{Ö}5\text{ÜB}\text{Ö}5\text{Ü4}\text{Ö}5\text{ÜF} \text{Ö}5\text{Üa}, 20)$$

where $\text{Ö}5\text{Ü}9 9Mf]Ä-f]ÄMf]Äb - 2 F \uparrow R V \times$ — ical distribution of 20-day OAS changes since January 2022. A widening is therefore identified when:

$$\text{Ö}5\text{ÜC}\text{Ö}5\text{Üa} \geq 85\%$$

Currently, US IG technology OAS stands at 147.9bp, having widened 17.0bp over the past 20 trading days. This places the move in the 93rd percentile of the post-2022 distribution, while the outright spread level is in the 87th percentile. Over the same period, HY technology OAS has widened 52.2bp, indicating that the current episode represents broad-based IG and HY technology-credit stress, rather than an isolated move within a single credit segment.

IG OAS VS. HY OAS (2025 –PRESENT)

Source: Bloomberg and MUFG GMR

Page 9

9 23 October 2026 RATES REGIME AS A FILTER

In a conventional global risk-off episode, wider credit spreads can coincide with stronger demand for safe-haven USD assets. But if widening credit spreads reflect a deterioration in the perceived relative attractiveness of US assets, the USD response can be different. Since January 2022, our framework identified 21 distinct IG technology-credit widening regime starts, our analysis find that alone credit widening is not an FX signal, however introducing a rates regime environment separates the outcomes. Of our 21 episodes, 7 completed episodes began while the US 10-year Treasury yield was falling over the preceding 20 trading days. Following these episodes, average DXY performance became progressively weaker as the horizon increased. This suggests that the combination of unusually rapid

deterioration in high-quality US technology credit and falling Treasury yields has historically been more informative for subsequent FX performance than credit widening considered in isolation.

Source: Bloomberg and MUFG GMR

FX RESPONSE IS NOT UNIFORM

Source: Bloomberg and MUFG GMR

Following IG technology-credit widening regimes accompanied by falling Treasury yields, USD weakness has historically been concentrated against CHF and EUR. Over the subsequent six weeks, USD declined by an average 2.07% against CHF and 1.50% against EUR, while DXY fell 1.23%. EUR provided the most consistent signal, with USD weakening in six of the seven completed episodes and both the mean and median six-week return at -1.50%. CHF recorded the largest adjustment, with a median USD decline of 2.71%. By contrast, the JPY signal was less consistent: the average USD return was +0.47%, despite a marginally negative median. The historical distribution therefore points to EUR and CHF as the cleaner FX expressions of this credit-and-rates regime. Uniform depreciation for USD following application of rates regime filter

Page 10

10 23 October 2026 FX Implications

- The key finding from our analysis is that widening US technology credit alone is not a consistent signal for USD weakness. The FX implications become clearer when unusually rapid deterioration in IG technology credit is accompanied by falling Treasury yields. In the seven completed episodes matching this regime since 2022, DXY fell by an average 1.23% over the subsequent six weeks, while USD declined 1.50% against EUR and 2.07% against CHF. EUR provided the strongest directional consistency, with USD weakening in six of the seven episodes.
- The current market fits this configuration. US IG technology OAS has widened 17bp over the past 20 trading days, placing the move in the 93rd percentile of our sample and comfortably above the threshold used to define an extreme widening regime. With US Treasury yields also significantly lower over the same period, the historical distribution points towards greater downside risk for USD over the coming weeks, particularly against EUR and CHF.

Page 11

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Page 12

12 23 October 2026

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